

Medical Care—Drugs

388-91-040

set at the estimated acquisition cost, which is the department's best estimate of the price providers generally are paying for a drug. The dispensing fee shall be set by taking into account the results of surveys and the costs of pharmacy operation. Reimbursement may also be made through exclusive service contracts for the provision of prescription drugs for nursing facility patients.

(5) True unit dose systems recognized by the department require each patient's medication to be delivered to the facility a minimum of five days a week or delivery of medical carts every other day with daily service available.

(6) Modified unit dose systems (also known as blister packs, "bingo" or punch cards) recognized by the department require each patient's medication be delivered in individually sealed single or multiple dose packages, and in quantities sufficient to meet specified minimums or one month's supply. Providers shall be paid a special dispensing fee per prescription. This special fee shall not apply to creams, ointments, ophthalmic/otic preparations, and oral liquids.

[Statutory Authority: RCW 74.08.090, 91-23-084 (Order 3286), § 388-91-040, filed 11/19/91, effective 12/20/91; 86-01-080 (Order 2320), § 388-91-040, filed 12/18/85; 82-01-001 (Order 1725), § 388-91-040, filed 12/3/81; 79-06-034 (Order 1402), § 388-91-040, filed 5/16/79; Order 1154, § 388-91-040, filed 9/22/76; Order 970, § 388-91-040, filed 9/13/74; Order 884, § 388-91-040, filed 12/17/73; Order 461, § 388-91-040, filed 6/17/70, effective 8/1/70; Order 316, § 388-91-040, filed 10/31/68.]

WAC 388-91-050 Out-of-state prescriptions. (1)
The department shall authorize drugs provided to residents of the state of Washington who are temporarily out of the state as defined under WAC 388-26-060 as part of medical care within the scope of WAC 388-86-115. Border situations as described by WAC 388-82-130 are not subject to out-of-state rules and are to be considered as care provided in the state of Washington.

(2) Drugs provided by out-of-state pharmacists (bordering cities excepted) shall require the approval of the department before payment can be made.

[Statutory Authority: RCW 74.08.090, 91-23-084 (Order 3286), § 388-91-050, filed 11/19/91, effective 12/20/91; 86-01-080 (Order 2320), § 388-91-050, filed 12/18/85; 81-16-032 (Order 1684), § 388-91-050, filed 7/29/81; Order 475, § 388-91-050, filed 9/8/70; Order 316, § 388-91-050, filed 10/31/68.]

Chapter 388-96 WAC NURSING HOME ACCOUNTING AND REIMBURSEMENT SYSTEM

WAC

388-96-010	Terms.
388-96-020	Prospective cost-related reimbursement.
388-96-023	Conditions of participation.
388-96-026	Projected budget for new contractors.
388-96-029	Change of ownership.
388-96-032	Termination of contract.
388-96-101	Reports.
388-96-104	Due dates for reports.
388-96-107	Requests for extensions.
388-96-108	Failure to submit final reports.
388-96-110	Improperly completed or late reports.
388-96-113	Completing reports and maintaining records.
388-96-117	Certification requirement.
388-96-119	Reports—False information.
388-96-122	Amendments to reports.

388-96-128	Requirements for retention of records by the contractor.
388-96-131	Requirement for retention of reports by the department.
388-96-134	Disclosure of nursing home reports.
388-96-204	Field audits.
388-96-207	Preparation for audit by the contractor.
388-96-210	Scope of field audits.
388-96-213	Inadequate documentation.
388-96-216	Deadline for completion of audits.
388-96-217	Civil fines.
388-96-220	Principles of settlement.
388-96-221	Preliminary settlement.
388-96-224	Final settlement.
388-96-226	Shifting provisions.
388-96-228	Cost savings.
388-96-229	Procedures for overpayments and underpayments.
388-96-310	Interest on other excess payments.
388-96-366	Facility records and handling of resident moneys.
388-96-369	The nursing facility shall maintain a subsidiary ledger with an account for each resident for whom the facility holds money.
388-96-372	The nursing facility may maintain a petty cash fund originating from resident personal funds of an amount reasonable and necessary for the size of the facility and the needs of the residents, not to exceed \$500.00.
388-96-375	Resident personal funds control/disbursement.
388-96-378	Resident personal funds availability.
388-96-381	Procedure for refunding resident personal funds.
388-96-384	Liquidation or transfer of resident personal funds.
388-96-501	Allowable costs.
388-96-502	Indirect and overhead costs.
388-96-503	Substance prevails over form.
388-96-505	Offset of miscellaneous revenues.
388-96-507	Costs of meeting standards.
388-96-508	Travel expenses for members of trade association boards of directors.
388-96-509	Boards of directors fees.
388-96-513	Limit on costs to related organizations.
388-96-521	Start-up costs.
388-96-523	Organization costs.
388-96-525	Education and training.
388-96-529	Total compensation—Owners, relatives, and certain administrative personnel.
388-96-531	Owner or relative—Compensation.
388-96-533	Maximum allowable compensation of certain administrative personnel.
388-96-534	Joint cost allocation disclosure (JCAD).
388-96-535	Management agreements, management fees, and central office services.
388-96-543	Expense for construction interest.
388-96-553	Capitalization.
388-96-554	Expensing.
388-96-555	Depreciation expense.
388-96-557	Depreciable assets.
388-96-559	Cost basis of land and depreciation base.
388-96-561	Cost basis of land and depreciation base—Donated or inherited assets.
388-96-565	Lives.
388-96-567	Methods of depreciation.
388-96-569	Retirement of depreciable assets.
388-96-571	Handling of gains and losses upon retirement of depreciable assets settlement periods prior to 1/1/81 and rate periods prior to 7/1/82.
388-96-572	Handling of gains and losses upon retirement of depreciable assets—Other periods.
388-96-573	Recovery of excess over straight-line depreciation.
388-96-580	Operating leases of office equipment.
388-96-585	Unallowable costs.
388-96-704	Prospective reimbursement rates.
388-96-705	Payment for services after settlement.
388-96-709	Prospective rate revisions—Reduction in licensed beds.
388-96-710	Prospective reimbursement rate for new contractors.
388-96-713	Rate determination.

Chapter 388-96

Title 388 WAC: DSHS (Public Assistance)

388-96-717	Desk review adjustments.		1168, § 388-96-200, filed 11/3/76.] Repealed by Order 1262, filed 12/30/77.
388-96-719	Method of rate determination.		
388-96-722	Nursing services cost area rate.	388-96-201	Desk review. [Order 1262, § 388-96-201, filed 12/30/77.] Repealed by 83-19-047 (Order 2025), filed 9/16/83. Statutory Authority: RCW 74.09.120.
388-96-727	Food cost area rate.		
388-96-735	Administrative cost area rate.	388-96-203	Initial financial survey report and budgetary report for new providers. [Order 1168, § 388-96-203, filed 11/3/76.] Repealed by Order 1262, filed 12/30/77.
388-96-737	Operational cost area rate.		
388-96-745	Property cost area reimbursement rate.	388-96-206	Prospective daily payment. [Order 1168, § 388-96-206, filed 11/3/76.] Repealed by Order 1262, filed 12/30/77.
388-96-752	Documentation of leased assets.	388-96-209	Flat rate payment system option. [Order 1168, § 388-96-209, filed 11/3/76.] Repealed by Order 1262, filed 12/30/77.
388-96-753	Return on investment—Effect of funding granted under WAC 388-96-774, 388-96-776, and 388-96-777.	388-96-219	Disclosure of audit narratives and summaries. [Order 1262, § 388-96-219, filed 12/30/77.] Repealed by 83-19-047 (Order 2025), filed 9/16/83. Statutory Authority: RCW 74.09.120.
388-96-754	A contractor's return on investment.		
388-96-757	Reimbursement for veterans' homes.	388-96-222	Settlement. [Statutory Authority: RCW 74.09.120, 83-05-007 (Order 1944), § 388-96-222, filed 2/4/83; 81-22-080 (Order 1716), § 388-96-222, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800. 81-06-024 (Order 1613), § 388-96-222, filed 2/25/81. Statutory Authority: RCW 74.09.120, 79-12-085 (Order 1461), § 388-96-222, filed 11/30/79; 79-04-059 (Order 1382), § 388-96-222, filed 3/28/79. Statutory Authority: RCW 74-08-090 and 74.09.120. 78-06-080 (Order 1300), § 388-96-222, filed 6/1/78; Order 1262, § 388-96-222, filed 12/30/77.] Repealed by 83-19-047 (Order 2025), filed 9/16/83. Statutory Authority: RCW 74.09.120.
388-96-760	Upper limits to reimbursement rate.		
388-96-761	Home office, central office, and other off-premises assets.	388-96-223	Shifting. [Statutory Authority: RCW 74.09.120, 81-15-049 (Order 1669), § 388-96-223, filed 7/15/81; 80-15-114 (Order 1561), § 388-96-223, filed 10/22/80; Order 1262, § 388-96-223, filed 12/30/77.] Repealed by 83-19-047 (Order 2025), filed 9/16/83. Statutory Authority: RCW 74.09.120.
388-96-762	Allowable land.		
388-96-763	Rates for recipients requiring exceptionally heavy care.	388-96-225	Date settlement becomes final. [Statutory Authority: RCW 74.09.120, 83-05-007 (Order 1944), § 388-96-225, filed 2/4/83; 81-22-080 (Order 1716), § 388-96-225, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800. 81-06-024 (Order 1613), § 388-96-225, filed 2/25/81; Order 1262, § 388-96-225, filed 12/30/77.] Repealed by 83-19-047 (Order 2025), filed 9/16/83. Statutory Authority: RCW 74.09.120.
388-96-764	Activities assistants.		
388-96-765	Ancillary care.	388-96-227	Interest on settlements. [Statutory Authority: RCW 74.09.120, 83-05-007 (Order 1944), § 388-96-227, filed 2/4/83; 81-22-080 (Order 1716), § 388-96-227, filed 11/4/81.] Repealed by 83-19-047 (Order 2025), filed 9/16/83. Statutory Authority: RCW 74.09.120.
388-96-766	Notification of rates.		
388-96-767	Appraisal values.	388-96-300	Required reports. [Order 1205, § 388-96-300, filed 4/13/77; Order 1114, § 388-96-300, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-768	Minimum wage.	388-96-302	Report dates. [Order 1205, § 388-96-302, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
388-96-769	Adjustments required due to errors or omissions.	388-96-303	Uniform reporting forms. [Order 1169, § 388-96-303, filed 11/10/76; Order 1114, § 388-96-303, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.
388-96-771	Receivership.	388-96-305	Approval required for extensions. [Order 1205, § 388-96-305, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
388-96-774	Add-ons to the prospective rate—Staffing.	388-96-306	Short-period report procedure. [Order 1114, § 388-96-306, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.
388-96-776	Add-ons to the prospective rate—Capital improvements.	388-96-308	Late reports. [Order 1205, § 388-96-308, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
388-96-777	Add-ons to the prospective rate—Initiated by the department.	388-96-309	Incorrect or false report. [Order 1114, § 388-96-309, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.
388-96-778	Public disclosure of rate-setting methodology.	388-96-311	Forms. [Order 1205, § 388-96-311, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
388-96-801	Billing period.	388-96-312	Amended annual or semiannual report. [Order 1114, § 388-96-312, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.
388-96-804	Billing procedures.	388-96-314	Completion of reports. [Order 1205, § 388-96-314, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
388-96-807	Charges to patients.	388-96-315	Flat rate option for providers (flat rate system). [Order 1114, § 388-96-315, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.
388-96-810	Payment.		
388-96-813	Suspension of payment.		
388-96-816	Termination of payments.		
388-96-901	Disputes.		
388-96-902	Recoupment of undisputed overpayments.		
388-96-904	Administrative review—Adjudicative proceeding.		

DISPOSITION OF SECTIONS FORMERLY CODIFIED IN THIS CHAPTER

388-96-015	Phase-in of other definitions. [Statutory Authority: RCW 74.09.120 and 74.46.800. 81-06-024 (Order 1613), § 388-96-015, filed 2/25/81.] Repealed by 81-22-081 (Order 1712), filed 11/4/81. Statutory Authority: RCW 74.09.120.	388-96-227	Interest on settlements. [Statutory Authority: RCW 74.09.120, 83-05-007 (Order 1944), § 388-96-227, filed 2/4/83; 81-22-080 (Order 1716), § 388-96-227, filed 11/4/81.] Repealed by 83-19-047 (Order 2025), filed 9/16/83. Statutory Authority: RCW 74.09.120.
388-96-100	Standards for funding patient care services in skilled nursing/intermediate care facilities. [Order 1168, § 388-96-100, filed 11/3/76.] Repealed by Order 1262, filed 12/30/77.	388-96-300	Required reports. [Order 1205, § 388-96-300, filed 4/13/77; Order 1114, § 388-96-300, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-103	Skilled nursing care patients. [Order 1168, § 388-96-103, filed 11/3/76.] Repealed by Order 1257, filed 12/21/77.	388-96-302	Report dates. [Order 1205, § 388-96-302, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
388-96-106	Minimum licensed personnel requirements for skilled nursing facilities. [Order 1168, § 388-96-106, filed 11/3/76.] Repealed by Order 1257, filed 12/21/77.	388-96-303	Uniform reporting forms. [Order 1169, § 388-96-303, filed 11/10/76; Order 1114, § 388-96-303, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.
388-96-109	Intermediate care facility patients. [Order 1168, § 388-96-109, filed 11/3/76.] Repealed by Order 1257, filed 12/21/77.	388-96-305	Approval required for extensions. [Order 1205, § 388-96-305, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
388-96-112	Minimum licensed personnel requirements for intermediate care facilities. [Order 1168, § 388-96-112, filed 11/3/76.] Repealed by Order 1257, filed 12/21/77.	388-96-306	Short-period report procedure. [Order 1114, § 388-96-306, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.
388-96-116	Provider classification. [Order 1169, § 388-96-116, filed 11/10/76.] Repealed by Order 1257, filed 12/21/77.	388-96-308	Late reports. [Order 1205, § 388-96-308, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
388-96-118	Exception to dual contract. [Order 1168, § 388-96-118, filed 11/3/76.] Repealed by Order 1257, filed 12/21/77.	388-96-309	Incorrect or false report. [Order 1114, § 388-96-309, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.
388-96-125	Reporting for an abbreviated period. [Statutory Authority: RCW 74.09.120, 79-04-102 (Order 1387), § 388-96-125, filed 4/4/79; Order 1262, § 388-96-125, filed 12/30/77.] Repealed by 83-19-047 (Order 2025), filed 9/16/83. Statutory Authority: RCW 74.09.120.	388-96-311	Forms. [Order 1205, § 388-96-311, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
388-96-200	Condition of qualification for participation in the Washington state cost-related reimbursement system. [Order	388-96-312	Amended annual or semiannual report. [Order 1114, § 388-96-312, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.
		388-96-314	Completion of reports. [Order 1205, § 388-96-314, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.
		388-96-315	Flat rate option for providers (flat rate system). [Order 1114, § 388-96-315, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.

Nursing Home—Accounting—Reimbursement

Chapter 388-96

388-96-317	Certification of reports. [Order 1205, § 388-96-317, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.	388-96-424	Multifacility provider. [Order 1114, § 388-96-424, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-318	Reporting requirements. [Order 1114, § 388-96-318, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.	388-96-427	Uniform system of accounting. [Order 1114, § 388-96-427, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-320	False reports. [Order 1205, § 388-96-320, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.	388-96-430	Separate and distinct SNF and/or ICF. [Order 1114, § 388-96-430, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-321	Extensions. [Order 1114, § 388-96-321, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.	388-96-433	Combined multifacility. [Order 1114, § 388-96-433, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-323	Amendments. [Order 1205, § 388-96-323, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.	388-96-436	Prospective cost reimbursement for combined multifacility. [Order 1114, § 388-96-436, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-324	Delinquent semiannual or annual reports. [Order 1114, § 388-96-324, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.	388-96-439	Payment of the lower of actual costs or prospective per diem rates. [Order 1114, § 388-96-439, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-325	Abbreviated reporting period. [Order 1205, § 388-96-325, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.	388-96-442	Multifacility flat rate option for providers (flat rate system). [Order 1114, § 388-96-442, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-326	Retention of records. [Order 1205, § 388-96-326, filed 4/13/77.] Repealed by Order 1262, filed 12/30/77.	388-96-445	Medical recipient rates. [Order 1114, § 388-96-445, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-327	Determination of prospective daily payment rate. [Order 1114, § 388-96-327, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-448	Medical recipient rates by level of care. [Order 1114, § 388-96-448, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-330	Rate adjustments and payments. [Order 1114, § 388-96-330, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-451	Prospective daily payment rate. [Order 1114, § 388-96-451, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-333	Annual report settlement. [Order 1114, § 388-96-333, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-454	Prospective rate—Inadequate data. [Order 1114, § 388-96-454, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-336	Contested annual settlement. [Order 1114, § 388-96-336, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-457	Prospective rate revision. [Order 1114, § 388-96-457, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-339	Final settlement date. [Order 1114, § 388-96-339, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-458	Prospective rate—Projected (budgeted) cost increases. [Order 1114, § 388-96-458, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-342	Uniform system of accounting and reporting. [Order 1169, § 388-96-342, filed 11/10/76; Order 1114, § 388-96-342, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.	388-96-460	Prospective rate—New facility. [Order 1114, § 388-96-460, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-345	Uniform statistical reporting. [Order 1114, § 388-96-345, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.	388-96-463	Prospective rate—Change in ownership—New provider. [Order 1114, § 388-96-463, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-348	Method of accounting. [Order 1114, § 388-96-348, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.	388-96-466	Prospective rate—Change in ownership—Nonarmslength transaction. [Order 1114, § 388-96-466, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-351	Nursing home reports. [Order 1239, § 388-96-351, filed 8/23/77; Order 1205, § 388-96-351, filed 4/13/77; Order 1114, § 388-96-351, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-470	Prospective rate—Change in ownership—Armslength transaction. [Order 1114, § 388-96-470, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-354	Final settlement report. [Order 1114, § 388-96-354, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-473	Final daily settlement rate. [Order 1114, § 388-96-473, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-357	Provider records. [Order 1114, § 388-96-357, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.	388-96-476	Notification of prospective and final rates. [Order 1114, § 388-96-476, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-360	Audits by the department. [Order 1114, § 388-96-360, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-479	Adjustments, errors, or omissions. [Order 1114, § 388-96-479, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-363	Report certification. [Order 1114, § 388-96-363, filed 4/21/76.] Repealed by Order 1205, filed 4/13/77.	388-96-500	Provider billing instructions—Nursing home statement. [Order 1114, § 388-96-500, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-387	Illustration of final settlement form. [Order 1114, § 388-96-387, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-510	Billing period. [Order 1114, § 388-96-510, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-400	The prospective cost-related reimbursement system. [Order 1168, § 388-96-400, filed 11/3/76; Order 1114, § 388-96-400, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-520	Suspension of reimbursement formula. [Order 1114, § 388-96-520, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-403	Control areas and associated cost centers. [Order 1168, § 388-96-403, filed 11/3/76; Order 1114, § 388-96-403, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-537	Temporary contract labor. [Statutory Authority: RCW 74.09.120 and 74.46.800. 81-06-024 (Order 1613), § 388-96-537, filed 2/25/81.] Repealed by 81-22-081 (Order 1712), filed 11/4/81. Statutory Authority: RCW 74.09.120.
388-96-406	Payment of the actual allowable costs by cost center. [Order 1168, § 388-96-406, filed 11/3/76; Order 1114, § 388-96-406, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-539	Allowable interest. [Statutory Authority: RCW 74.09.120. 83-19-047 (Order 2025), § 388-96-539, filed 9/16/83; 83-05-007 (Order 1944), § 388-96-539, filed 2/4/83; 81-22-081 (Order 1712), § 388-96-539, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800. 81-06-024 (Order 1613), § 388-96-539, filed 2/25/81.
388-96-409	Discretionary allowance. [Order 1114, § 388-96-409, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.		
388-96-412	Expense allocation procedures. [Order 1114, § 388-96-412, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.		
388-96-415	Expense identification. [Order 1114, § 388-96-415, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.		
388-96-418	Expense recoveries and adjustments. [Order 1114, § 388-96-418, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.		
388-96-421	Allocation of expenses. [Order 1114, § 388-96-421, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.		

Chapter 388-96

Title 388 WAC: DSHS (Public Assistance)

	6/1/78; Order 1262, § 388-96-539, filed 12/30/77.] Repealed by 84-24-050 (Order 2172), filed 12/4/84. Statutory Authority: RCW 74.09.120.	388-96-628	Partial change of ownership interest. [Order 1114, § 388-96-628, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-541	Offset of interest income. [Statutory Authority: RCW 74.09.120, 81-22-081 (Order 1712), § 388-96-541, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-541, filed 2/25/81; Order 1262, § 388-96-541, filed 12/30/77.] Repealed by 84-24-050 (Order 2172), filed 12/4/84. Statutory Authority: RCW 74.09.120.	388-96-630	Donated assets. [Order 1114, § 388-96-630, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
		388-96-632	Capitalization vs. expense. [Order 1114, § 388-96-632, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-545	Operating leases of equipment. [Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-545, filed 2/25/81.] Repealed by 81-22-081 (Order 1712), filed 11/4/81. Statutory Authority: RCW 74.09.120.	388-96-634	Construction in process. [Order 1114, § 388-96-634, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
		388-96-636	Amortization expense of leasehold improvements. [Order 1114, § 388-96-636, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-547	Operating leases of facilities and equipment. [Statutory Authority: RCW 74.09.120, 81-22-081 (Order 1712), § 388-96-547, filed 11/4/81. Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-547, filed 2/25/81; Order 1262, § 388-96-547, filed 12/30/77.] Repealed by 84-24-050 (Order 2172), filed 12/4/84. Statutory Authority: RCW 74.09.120.	388-96-638	Leased facilities and equipment. [Order 1114, § 388-96-638, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
		388-96-640	Interest expense. [Order 1114, § 388-96-640, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-549	Rental expense paid to related organizations. [Order 1262, § 388-96-549, filed 12/30/77.] Repealed by 84-24-050 (Order 2172), filed 12/4/84. Statutory Authority: RCW 74.09.120.	388-96-642	Interest rate. [Order 1114, § 388-96-642, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
		388-96-644	Recovery of interest income. [Order 1114, § 388-96-644, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-563	Depreciation base of assets previously used in medical care program. [Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-563, filed 2/25/81.] Repealed by 81-22-081 (Order 1712), filed 11/4/81. Statutory Authority: RCW 74.09.120.	388-96-646	Interest expense—Related organization. [Order 1114, § 388-96-646, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-587	Phase-in of other unallowable costs. [Statutory Authority: RCW 74.09.120 and 74.46.800, 81-06-024 (Order 1613), § 388-96-587, filed 2/25/81.] Repealed by 81-22-081 (Order 1712), filed 11/4/81. Statutory Authority: RCW 74.09.120.	388-96-648	Construction interest expense. [Order 1114, § 388-96-648, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
		388-96-650	In-service educational activities. [Order 1114, § 388-96-650, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-600	Reasonable costs. [Order 1114, § 388-96-600, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-652	Owner-administrator compensation and/or allowances. [Order 1114, § 388-96-652, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-602	Substance of recoverable cost transactions. [Order 1114, § 388-96-602, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-654	Relatives of owner compensation and/or allowances. [Order 1114, § 388-96-654, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-604	Costs due to changes imposed by regulatory agencies. [Order 1114, § 388-96-604, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-656	Owner-administrator of multiple facilities (groups). [Order 1114, § 388-96-656, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-606	Nonreimbursable services and expenses. [Order 1114, § 388-96-606, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-658	Owner allowances. [Order 1114, § 388-96-658, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-608	Recovery of expenses. [Order 1114, § 388-96-608, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-660	Preopening expenses. [Order 1114, § 388-96-660, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-610	Physical property. [Order 1114, § 388-96-610, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-662	Discretionary allowance. [Order 1114, § 388-96-662, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-612	Depreciation. [Order 1114, § 388-96-612, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-664	Costs of related organization. [Order 1114, § 388-96-664, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-614	Historical cost depreciation for new providers and for depreciable assets purchased subsequent to July 1, 1974. [Order 1114, § 388-96-614, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-666	Rentals or leases from related organization. [Order 1114, § 388-96-666, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-616	Election of depreciation method for depreciable assets purchased prior to July 1, 1974, by providers entering cost reimbursement at its inception. [Order 1169, § 388-96-616, filed 11/10/76; Order 1114, § 388-96-616, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-668	Service charges from related organization. [Order 1114, § 388-96-668, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-618	Guideline lives and methods of depreciation. [Order 1114, § 388-96-618, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-700	Appeals. [Order 1114, § 388-96-700, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.
388-96-620	Disposal of depreciable assets. [Order 1114, § 388-96-620, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-701	Reimbursement principles. [Statutory Authority: RCW 74.09.120, 78-02-013 (Order 1264), § 388-96-701, filed 1/9/78.] Repealed by 81-15-049 (Order 1669), filed 7/15/81. Statutory Authority: RCW 74.09.120.
388-96-622	Gains or losses on disposition of major-minor equipment. [Order 1114, § 388-96-622, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-707	Program services not covered by the reimbursement rate. [Statutory Authority: RCW 74.09.120, 82-21-025 (Order 1892), § 388-96-707, filed 10/13/82. Statutory Authority: RCW 74.08.090 and 74.09.120, 78-06-080 (Order 1300), § 388-96-707, filed 6/1/78. Statutory Authority: RCW 74.09.120, 78-02-013 (Order 1264), § 388-96-707, filed 1/9/78.] Repealed by 94-12-043 (Order 3737), filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800.
388-96-624	Historical cost trade-ins. [Order 1114, § 388-96-624, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-720	Redistribution pool. [Statutory Authority: RCW 74.09.120, 82-11-065 (Order 1808), § 388-96-720, filed 5/14/82.] Repealed by 83-19-047 (Order 2025), filed 9/16/83. Statutory Authority: RCW 74.09.120.
388-96-626	Purchase of facility as an ongoing operations. [Order 1114, § 388-96-626, filed 4/21/76.] Repealed by Order 1262, filed 12/30/77.	388-96-721	Priorities in establishing rates and responding to appeals of desk-review adjustments. [Statutory Authority: RCW 74.46.800, 84-12-039 (Order 2105), § 388-96-721, filed 5/30/84.] Repealed by 94-12-043 (Order 3737), filed

388-96-010

Title 388 WAC: DSHS (Public Assistance)

(d) In the ordinary course of business, is a pledgee of ownership interest under a written pledge agreement and shall not be deemed the beneficial owner of such pledged ownership interest until the pledgee takes:

(i) Formal steps necessary required to declare a default; and

(ii) Determines the power to vote or to direct the vote or to dispose or to direct the disposition of such pledged ownership interest will be exercised provided the pledge agreement:

(A) Is bona fide and was not entered into with the purpose nor with the effect of changing or influencing the control of the contractor, nor in connection with any transaction having such purpose or effect, including persons meeting the conditions set forth in subsection (10)(b) of this section; and

(B) Prior to default, does not grant the pledgee the power to:

(I) Vote or direct the vote of the pledged ownership interest; or

(II) Dispose or direct the disposition of the pledged ownership interest, other than the grant of such power or powers pursuant to a pledge agreement under which credit is extended and in which the pledgee is a broker or dealer.

(11) "Capitalization" means the recording of an expenditure as an asset.

(12) "Capitalized lease" means a lease required to be recorded as an asset and associated liability in accordance with generally accepted accounting principles.

(13) "Cash method of accounting" means a method of accounting in which revenues are recognized only when cash is received, and expenditures for expense and asset items are not recorded until cash is disbursed for those expenditures and assets.

(14) "Change of ownership" means a substitution of the individual operator or operating entity contracting with the department to deliver care services to medical care recipients in a nursing facility and ultimately responsible for the daily operational decisions of the nursing facility; or a substitution of control of such operating entity

(a) Events which constitute a change of ownership include but are not limited to the following:

(i) The form of legal organization of the contractor is changed (e.g., a sole proprietor forms a partnership or corporation);

(ii) Ownership of the nursing home business enterprise is transferred by the contractor to another party, regardless of whether ownership of some or all of the real property and/or personal property assets of the facility is also transferred;

(iii) If the contractor is a partnership, any event occurs which dissolves the partnership;

(iv) If the contractor is a corporation, and the corporation is dissolved, merges with another corporation which is the survivor, or consolidates with one or more other corporations to form a new corporation;

(v) If the operator is a corporation and, whether by a single transaction or multiple transactions within any continuous twenty-four-month period, fifty percent or more of the stock is transferred to one or more:

(A) New or former stockholders; or

(B) Present stockholders each having held less than five percent of the stock before the initial transaction; or

(vi) Any other event or combination of events which results in a substitution or substitution of control of the individual operator or the operating entity contracting with the department to deliver care services.

(b) Ownership does not change when the following, without more, occur:

(i) A party contracts with the contractor to manage the nursing facility enterprise as the contractor's agent, i.e., subject to the contractor's general approval of daily operating and management decisions; or

(ii) The real property or personal property assets of the nursing facility change ownership or are leased, or a lease of them is terminated, without a substitution of individual operator or operating entity and without a substitution of control of the operating entity contracting with the department to deliver care services.

(15) "Charity allowances" means reductions in charges made by the contractor because of the indigence or medical indigence of a patient

(16) "Contract" means a contract between the department and a contractor for the delivery of SNF or ICF services to medical care recipients.

(17) "Contractor" means an entity which contracts with the department to deliver care services to medical care recipients in a facility. The entity is responsible for operational decisions.

(18) "Courtesy allowances" means reductions in charges in the form of an allowance to physicians, clergy, and others, for services received from the contractor. Employee fringe benefits are not considered courtesy allowances.

(19) "CSO" means the local community services office of the department.

(20) "Department" means the department of social and health services (DSHS) and employees.

(21) "Depreciation" means the systematic distribution of the cost or other base of tangible assets, less salvage, over the estimated useful life of the assets.

(22) "Donated asset" means an asset the contractor acquired without making any payment for the asset in the form of cash, property, or services.

(a) An asset is not a donated asset if the contractor made even a nominal payment in acquiring the asset.

(b) An asset purchased using donated funds is not a donated asset.

(23) "Entity" means an individual, partnership, corporation, or any other association of individuals capable of entering enforceable contracts.

(24) "Equity capital" means total tangible and other assets which are necessary, ordinary, and related to patient care from the most recent provider cost report minus related total long-term debt from the most recent provider cost report plus working capital as defined in this section.

(25) "Exceptional care recipient" means a medical care recipient determined by the department to require exceptionally heavy care.

(26) "Facility" means a nursing home licensed in accordance with chapter 18.51 RCW, or that portion of a hospital licensed in accordance with chapter 70.41 RCW which operates as a nursing home.

(27) "Fair market value" means:

Nursing Home—Accounting—Reimbursement

388-96-010

(a) Prior to January 1, 1985, the price for which an asset would have been purchased on the date of acquisition in an arm's-length transaction between a well-informed buyer and seller, neither being under any compulsion to buy or sell; or

(b) Beginning January 1, 1985, the replacement cost of an asset, less observed physical depreciation, on the date the fair market value is determined.

(28) "Financial statements" means statements prepared and presented in conformity with generally accepted accounting principles and the provisions of chapter 74.46 RCW and this chapter including, but not limited to:

- (a) Balance sheet;
- (b) Statement of operations;
- (c) Statement of changes in financial position; and
- (d) Related notes.

(29) "Fiscal year" means the operating or business year of a contractor. All contractors report on the basis of a twelve-month fiscal year, but provision is made in this chapter for reports covering abbreviated fiscal periods. As determined by context or otherwise, "fiscal year" may also refer to a state fiscal year extending from July 1 through June 30 of the following year and comprising the first or second half of a state fiscal biennium.

(30) "Gain on sale" means the actual total sales price of all tangible and intangible nursing home assets including, but not limited to, land, building, equipment, supplies, goodwill, and beds authorized by certificate of need, minus the net book value of such assets immediately prior to the time of sale.

(31) "Generally accepted accounting principles (GAAP)" means accounting principles approved by the financial accounting standards Board (FASB).

(32) "Generally accepted auditing standards (GAAS)" means auditing standards approved by the American Institute of Certified Public Accountants (AICPA).

(33) "Goodwill" means the excess of the price paid for:

- (a) A business over the fair market value of all other identifiable, tangible, and intangible assets acquired; and
- (b) An asset over the fair market value of the asset.

(34) "Historical cost" means the actual cost incurred in acquiring and preparing an asset for use, including feasibility studies, architects' fees, and engineering studies.

(35) "Imprest fund" means a fund which is regularly replenished in exactly the amount expended from it.

(36) "Interest" means the cost incurred for the use of borrowed funds, generally paid at fixed intervals by the user.

(37) "Joint facility costs" means any costs representing expenses incurred which benefit more than one facility, or one facility and any other entity.

(38) "Lease agreement" means a contract between two parties for the possession and use of real or personal property or assets for a specified period of time in exchange for specified periodic payments. Elimination or addition of any party to the contract, expiration, or modification of any lease term in effect on January 1, 1980, or termination of the lease by either party by any means shall constitute a termination of the lease agreement. An extension or renewal of a lease agreement, whether or not pursuant to a renewal provision in the lease agreement, shall be considered a new lease agreement. A strictly formal change in the lease agreement which modifies the method, frequency, or manner

the total lease payment obligation of the lessee shall not be considered modification of a lease term.

(39) "Medical care program" means medical assistance provided under RCW 74.09.500 or authorized state medical care services.

(40) "Medical care recipient" means an individual determined eligible by the department for the services provided in chapter 74.09 RCW.

(41) "Multiservice facility" means a facility at which two or more types of health or related care are delivered, e.g., a hospital and nursing facility, or a boarding home and nursing facility.

(42) "Net book value" means the historical cost of an asset less accumulated depreciation.

(43) "Net invested funds" means the net book value of tangible fixed assets, excluding assets associated with central or home offices or otherwise not on the nursing facility premises, employed by a contractor to provide services under the medical care program, including land, buildings, and equipment as recognized and measured in conformity with generally accepted accounting principles and not in excess of any lids or reimbursement limits set forth in this chapter, plus an allowance for working capital as provided in this chapter.

(44) "Nonadministrative wages and benefits" means wages, benefits, and corresponding payroll taxes paid for nonadministrative personnel, not to include administrator, assistant administrator, or administrator-in-training.

(45) "Nonallowable costs" means the same as "unallowable costs."

(46) "Nonrestricted funds" means funds which are not restricted to a specific use by the donor, e.g., general operating funds.

(47) "Nursing facility" means a home, place, or institution, licensed under chapter 18.51 RCW, where skilled nursing and/or intermediate care services are delivered.

(48) "Operating lease" means a lease under which rental or lease expenses are included in current expenses in accordance with generally accepted accounting principles.

(49) "Owner" means a sole proprietor, general or limited partner, or beneficial interest holder of five percent or more of a corporation's outstanding stock.

(50) "Ownership interest" means all interests beneficially owned by a person, calculated in the aggregate, regardless of the form the beneficial ownership takes.

(51) "Patient day" means a calendar day of patient care. In computing calendar days of care, the day of admission is always counted. The day of discharge is counted only when the patient was admitted on the same day. A patient is admitted for purposes of this definition when the patient is assigned a bed and a patient medical record is opened.

(52) "Per diem (per patient day) costs" means total allowable costs for a fiscal period divided by total patient days for the same period.

(53) "Professionally designated real estate appraiser" means an individual:

(a) Regularly engaged in the business of providing real estate valuation services for a fee;

(b) Qualified by a nationally recognized real estate appraisal educational organization on the basis of extensive practical appraisal experience, including that

388-96-010

Title 388 WAC: DSHS (Public Assistance)

(ii) Passing of written examination on valuation practice and theory; and

(iii) Requirement to subscribe and adhere to certain standards of professional practice as the organization prescribes.

(54) "Prospective daily payment rate" means the rate assigned by the department to a contractor for providing service to medical care recipients. The rate is used to compute the maximum participation of the department in the contractor's costs.

(55) "Qualified therapist":

(a) An activities specialist having specialized education, training, or at least one year's experience in organizing and conducting structured or group activities;

(b) An audiologist eligible for a certificate of clinical competence in audiology or having the equivalent education and clinical experience;

(c) A mental health professional as defined by chapter 71.05 RCW;

(d) A mental retardation professional, either a qualified therapist or a therapist, approved by the department having specialized training or one year's experience in treating or working with the mentally retarded or developmentally disabled;

(e) A social worker graduated from a school of social work;

(f) A speech pathologist eligible for a certificate of clinical competence in speech pathology or having the equivalent education and clinical experience;

(g) A physical therapist as defined by chapter 18.74 RCW;

(h) An occupational therapist graduated from a program in occupational therapy, or having the equivalent of education or training, and meeting all requirements of state law; or

(i) A respiratory care practitioner certified under chapter 18.89 RCW.

(56) "Recipient" means a medical care recipient.

(57) "Records" means data supporting all financial statements and cost reports including, but not limited to:

(a) All general and subsidiary ledgers;

(b) Books of original entry;

(c) Invoices;

(d) Schedules;

(e) Summaries; and

(f) Transaction documentation, however maintained.

(58) "Regression analysis" means a statistical technique through which one can analyze the relationship between a dependent or criterion variable and a set of independent or predictor variables.

(59) "Related care" includes:

(a) The director of nursing services;

(b) Activities and social services programs;

(c) Medical and medical records specialists; and

(d) Consultation provided by:

(i) Medical directors;

(ii) Pharmacists;

(iii) Occupational therapists;

(iv) Physical therapists;

(v) Speech therapists; and

(vi) Other therapists; and

(vii) Mental health professionals as defined in law and regulation.

(60) "Related organization" means an entity under common ownership and/or control, or which has control of or is controlled by, the contractor. Common ownership exists if an entity has a five percent or greater beneficial ownership interest in the contractor and any other entity. Control exists if an entity has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution, whether or not the power is legally enforceable and however exercisable or exercised.

(61) "Relative" includes:

(a) Spouse;

(b) Natural parent, child, or sibling;

(c) Adopted child or adoptive parent;

(d) Stepparent, stepchild, stepbrother, stepsister;

(e) Father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law;

(f) Grandparent or grandchild; and

(g) Uncle, aunt, nephew, niece, or cousin.

(62) "Restricted fund" means a fund for which the use of the principal and/or income is restricted by agreement with or direction of the donor to a specific purpose, in contrast to a fund over which the contractor has complete control. Restricted funds generally fall into three categories:

(a) Funds restricted by the donor to specific operating purposes;

(b) Funds restricted by the donor for additions to property, plant, and equipment; and

(c) Endowment funds.

(63) "Secretary" means the secretary of the department of social and health services (DSHS).

(64) "Start-up costs" means the one-time preopening costs incurred from the time preparation begins on a newly constructed or purchased building until the first patient is admitted. Start-up costs include:

(a) Administrative and nursing salaries;

(b) Utility costs;

(c) Taxes;

(d) Insurance;

(e) Repairs and maintenance; and

(f) Training costs.

Start-up costs do not include expenditures for capital assets.

(65) "Title XIX" means the 1965 amendments to the Social Security Act, P.L. 89-07, as amended.

(66) "Unallowable costs" means costs which do not meet every test of an allowable cost.

(67) "Uniform chart of accounts" means a list of account titles identified by code numbers established by the department for contractors to use in reporting costs.

(68) "Vendor number" means a number assigned to each contractor delivering care services to medical care recipients.

(69) "Working capital" means total current assets necessary, ordinary, and related to patient care from the most recent cost report minus total current liabilities necessary, ordinary, and related to patient care from the most recent cost report.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-010, filed 5/26/94, effective 6/26/94; Statutory Authority: RCW 74.46.800 and 74.09.120, 93-19-074 (Order 3634), § 388-96-010, filed 9/14/93, effective 10/15/93; Statutory Authority: RCW 74.09.120, 91-22-025]

388-96-029

Title 388 WAC: DSHS (Public Assistance)

nursing home contract with the new owner shall be effective as of the date of the change of ownership.

[Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-029, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-029, filed 9/16/83; Order 1262, § 388-96-029, filed 12/30/77.]

See WSR 95-14-119

WAC 388-96-032 Termination of contract. (1)

When a contract is terminated for any reason, the old contractor shall submit final reports in accordance with WAC 388-96-104.

(2) Upon notification of a contract termination, the department shall determine by preliminary or final settlement calculations the amount of any overpayments made to the contractor, including overpayments disputed by the contractor. If preliminary or final settlements are unavailable for any period up to the date of contract termination, the department shall make a reasonable estimate of any overpayment or underpayments for such periods. The reasonable estimate shall be based upon prior period settlements, available audit findings, the projected impact of prospective rates, and other information available to the department.

(3) The old contractor shall provide security, in a form deemed adequate by the department, in the amount of determined and estimated overpayments, whether or not the overpayments are the subject of good-faith dispute. Security shall consist of:

(a) Withheld payments for one or more months of service due the contractor; or

(b) A surety bond issued by a bonding company acceptable to the department; or

(c) An assignment of funds to the department; or

(d) Collateral acceptable to the department; or

(e) A purchaser's assumption of liability for the prior contractor's overpayment; or

(f) Any combination of (a), (b), (c), (d), or (e) of this subsection.

(4) A surety bond or assignment of funds shall:

(a) Be at least equal in amount to determined or estimated overpayments, whether or not the subject of good-faith dispute, minus withheld payments;

(b) Be issued or accepted by a bonding company or financial institution licensed to transact business in Washington state;

(c) Be for a term sufficient to ensure effectiveness after final settlement and the exhaustion of administrative and judicial remedies: *Provided*, That the bond or assignment shall initially be for a term of five years, and shall be forfeited if not renewed thereafter in an amount equal to any remaining overpayment in dispute.

(d) Provide the full amount of the bond or assignment, or both, shall be paid to the department if a properly completed final cost report is not filed in accordance with this chapter, or if financial records supporting this report are not preserved and made available to the auditor; and

(e) Provide that an amount equal to any recovery the department determines is due from the contractor at settlement, but not exceeding the amount of the bond and assignment, shall be paid to the department if the contractor does not pay the refund within sixty days following receipt of written demand or the conclusion of administrative or judicial proceedings to contest settlement issues.

(5) The department shall release any payment withheld as security if alternate security is provided under subsection (3) of this section in an amount equivalent to determined and estimated overpayments.

(6) If the total of withheld payments, bonds, and assignments is less than the total of determined and estimated overpayments, the unsecured amount of such overpayments shall be a debt due the state and shall become a lien against the real and personal property of the contractor from the time of filing by the department with the county auditor of the county where the contractor resides or owns property, and the lien claim has preference over the claims of all unsecured creditors.

(7) The contractor shall file a properly completed final cost report in accordance with the requirements of this chapter, which shall be audited by the department. A final settlement shall be determined within ninety days following completion of the audit process, including any administrative review of the audit requested by the contractor.

(8) Following determination of settlement for all periods, security held pursuant to this section shall be released to the contractor after overpayments determined in connection with final settlement have been paid by the contractor. If the contractor contests the settlement determination in accordance with WAC 388-96-224, the department shall hold the security, not to exceed the amount of estimated unrecovered overpayments being contested, pending completion of the administrative appeal process.

(9) If, after calculation of settlements for any periods, it is determined that overpayments exist in excess of the value of security held by the state, the department may seek recovery of these additional overpayments as provided by law.

(10) The department may accept an assignment of funds if the assignment meets the requirements of subsection (3) of this section.

(11) If a contract is terminated solely in order for the same owner to contract with the department to deliver SNF or ICF services to a different class of medical care recipients at the same nursing home, the contractor is not required to submit final reports, and security shall not be required.

(12) When a contract is terminated, any accumulated liabilities which are assumed by a new owner shall be reversed against the appropriate accounts by the contractor.

[Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-032, filed 8/19/85. Statutory Authority: RCW 74.46.800, 84-12-039 (Order 2105), § 388-96-032, filed 5/30/84. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-032, filed 9/16/83; 82-21-025 (Order 1892), § 388-96-032, filed 10/13/82. Statutory Authority: RCW 74.08.090 and 74.09.120, 78-96-080 (Order 1300), § 388-96-032, filed 6/1/78; Order 1262, § 388-96-032, filed 12/30/77.]

WAC 388-96-101 Reports. Each contractor shall submit to the department an annual cost report fully completed for the period from January 1st through December 31st of the preceding year. The department, when it deems necessary to assure the accuracy of cost reports, may require a contractor to submit to the department and may review any underlying financial statements or other records, including income tax returns, which relate to the cost report directly or indirectly.

Nursing Home—Accounting—Reimbursement

388-96-101

[Statutory Authority: RCW 74.46.800, 92-16-013 (Order 3424), § 388-96-101, filed 7/23/92, effective 8/23/92. Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-101, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-101, filed 9/16/83, 79-03-021 (Order 1370), § 388-96-101, filed 2/21/79, Order 1262, § 388-96-101, filed 12/30/77.]

WAC 388-96-104 Due dates for reports. (1) Annual cost reports for a calendar year shall be submitted by March 31st of the following year.

(2) If a contract is terminated for any reason, the old contractor shall submit a final cost report within one hundred twenty days after the effective date of termination for the period January 1st of the year of termination through the effective date of termination.

(3) A new contractor shall submit, by March 31st of the following year, a cost report for the period from the effective date of the contract through December 31st of the year the contract was made effective.

[Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-104, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-104, filed 9/16/83, 79-03-021 (Order 1370), § 388-96-104, filed 2/21/79, Order 1262, § 388-96-104, filed 12/30/77.]

WAC 388-96-107 - Requests for extensions. (1) A contractor may request in writing an extension for submitting cost reports. Contractor requests shall:

(a) Be addressed to the manager, residential rates program;

(b) State the circumstances prohibiting compliance with the report due date; and

(c) Be received by the department at least ten days prior to the due date of the report.

(2) The department may grant two extensions of up to thirty days each, only if the circumstances, stated clearly, indicate the due date cannot be met and the following conditions are present:

(a) The circumstances were not foreseeable by the provider; and

(b) The circumstances were not avoidable by advance planning.

[Statutory Authority: RCW 74.09.180 and 74.46.800, 89-01-095 (Order 2742), § 388-96-107, filed 12/21/88. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-107, filed 9/16/83, Order 1262, § 388-96-107, filed 12/30/77.]

WAC 388-96-108 Failure to submit final reports.

(1) If a contract is terminated, the old contractor shall submit a final report as required by WAC 388-96-032(1) and 388-96-104(2). Such final reports must be received by the department within one hundred twenty days after the contract is terminated or prior to the expiration of any department-approved extension granted pursuant to WAC 388-96-107. If a final report is not submitted, all payments made to the contractor relating to the period for which a report has not been received shall be returned to the department within thirty days after receiving written demand from the department.

(2) Effective thirty days after written demand for payment is received by the contractor, interest will begin to accrue payable to the department on any unpaid balance at

[Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-108, filed 9/16/83. Statutory Authority: RCW 74.08.090, 82-21-025 (Order 1892), § 388-96-108, filed 10/13/82.]

WAC 388-96-110 Improperly completed or late reports. (1) For 1981 and subsequent annual cost reporting periods, a contractor shall complete an annual report, including all informational schedules and the proposed settlement computed by cost center pursuant to regulation, in accordance with applicable statutes, departmental regulations, and instructions. An annual cost report deficient in any of these respects will be returned in whole or in part to the contractor for proper completion. Annual reports must be submitted by the due date determined in accordance with WAC 388-96-104.

(2) If a cost report is not properly completed or is not received by the department on or before the due date of the report, including any approved extensions, the department may hold all or a part of any payments due under the contract until the improperly completed or delinquent report is properly completed and received by the department.

(3) If current resident debility information is not transmitted to the department under proper minimum data set (MDS) format and procedures, a contractor's July 1 rate shall be withheld until the department receives such information.

[Statutory Authority: RCW 74.46.800, 92-16-013 (Order 3424), § 388-96-110, filed 7/23/92, effective 8/23/92. Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-110, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-110, filed 9/16/83, 82-09-033 (Order 1791), § 388-96-110, filed 4/14/82, 80-06-122 (Order 1510), § 388-96-110, filed 5/30/80, effective 7/1/80, Order 1262, § 388-96-110, filed 12/30/77.]

WAC 388-96-113 Completing reports and maintaining records. (1) All report schedules shall be legible and reproducible. All entries must be typed, completed in black or dark blue ink, or provided in an acceptable, indelible copy.

(2) Reports shall be completed in accordance with the provisions of this chapter, the state of Washington nursing home accounting and reporting manual, and such instructions as may be issued by the department from time to time. If no specific regulation, manual provision, or instruction covers a situation, generally accepted accounting principles shall be followed.

(3) The accrual method of accounting shall be used. All revenue and expense accruals shall be reversed against the appropriate accounts if not received or paid within one hundred twenty days after the accrual is made; *unless*, the contractor has documentation of a good faith billing dispute with the supplier or vendors in which case this period may be extended, but only for those portions of the billings subject to the good faith dispute. Accruals for vacation, holiday, sick pay, and taxes may be carried for longer periods, provided the contractor follows generally accepted accounting principles and pays this type of accrual when due.

(4) Methods of allocating costs, including indirect or overhead costs, shall be consistently applied. Written approval must be obtained from the department if a contractor wishes to change an allocation method. Contractors

388-96-113

Title 388 WAC: DSHS (Public Assistance)

facility costs shall allocate costs using the methods approved by the department under WAC 388-96-534.

(5) The contractor's records relating to a nursing home shall be maintained so reported data can be audited for compliance with generally accepted accounting principles and the department's reimbursement principles and reporting instructions. If a contractor maintains records utilizing a chart of accounts other than that established by the department, the contractor shall provide to the department a written schedule specifying the way in which the contractor's individual account numbers correspond to the department's chart of accounts. Records shall be available for review by authorized personnel of the department and of the United States Department of Health and Human Services during normal business hours at a location in the state of Washington specified by the contractor.

(6) If a contractor fails to maintain records adequate for audit purposes as provided in subsection (5) of this section or fails to allow inspection of such records by authorized personnel as provided in subsection (5) of this section, the department may suspend all or part of subsequent reimbursement payments due under the contract until compliance is forthcoming. Upon compliance, the department shall resume current contract payments and shall release payments suspended pursuant to subsection (6) of this section.

[Statutory Authority: RCW 74.46.800, 94-12-043 (Order 3737), § 388-96-113, filed 5/26/94, effective 6/26/94. Statutory Authority: RCW 74.46.800, 74.46.450 and 74.09.120, 93-12-051 (Order 3555), § 388-96-113, filed 5/26/93, effective 6/26/93. Statutory Authority: RCW 74.46.800, 92-16-013 (Order 3424), § 388-96-113, filed 7/23/92, effective 8/23/92. Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-113, filed 8/19/85. Statutory Authority: RCW 74.46.800, 84-12-039 (Order 2105), § 388-96-113, filed 5/30/84. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-113, filed 9/16/83; 83-05-007 (Order 1944), § 388-96-113, filed 2/4/83; 82-11-065 (Order 1808), § 388-96-113, filed 5/14/82, 80-09-083 (Order 1527), § 388-96-113, filed 7/22/80; Order 1262, § 388-96-113, filed 12/30/77.]

WAC 388-96-117 Certification requirement. Each required report shall be accompanied by a certification signed on behalf of the contractor responsible to the department during the report period. If the contractor files a federal income tax return, the certification shall be executed by the person normally signing this return. The certification shall also be signed by the licensed administrator of the nursing home. If the report is prepared by someone other than an employee of the contractor, a separate statement shall be included with the certification signed by the individual preparing the report and indicating his or her status with the contractor. The certification of the cost report shall be submitted in original.

[Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-117, filed 8/19/85; Order 1262, § 388-96-117, filed 12/30/77.]

WAC 388-96-119 Reports—False information. (1) If a contractor knowingly or with reason to know files a report containing false information, such action constitutes cause for termination of its contract with the department.

(2) Adjustments to reimbursement rates required because a false report was filed will be made in accordance with WAC 388-96-769.

(3) Contractors filing false reports may be referred for prosecution under applicable statutes.

[Order 1262, § 388-96-119, filed 12/30/77.]

WAC 388-96-122 Amendments to reports. (1) For the purpose of determining audited allowable costs in computing a final settlement, an amendment to an annual report shall be considered only if filed by the provider prior to receipt by the provider of the notification scheduling the department's field audit, except that an amendment may be filed subsequent to such notification and pursuant to the provisions of WAC 388-96-769 solely for the purpose of adjusting reimbursement rates. In order to determine the date of receipt, all notifications scheduling field audits shall be sent by registered mail, return receipt requested. Amendments may be filed by the provider and considered by the department only if errors or omissions are discovered which are significant. Errors or omissions shall be deemed "significant" if the errors or omissions would mean a net difference of two cents or more per patient day or one thousand dollars or more in reported costs, whichever is higher, in any cost area. To file an amendment, only those pages where changes appear need to be filed, together with the certification required by WAC 388-96-117.

(2) If an amendment is filed, a contractor shall also submit with the amendment an account of the circumstances relating to and the reasons for the amendment, along with supporting documentation. The department shall refuse to consider an amendment resulting in a more favorable settlement or rate to a contractor if the amendment is not the result of circumstances beyond the control of the contractor or the result of good-faith error under the system of cost allocation and accounting in effect during the reporting period in question.

(3) Acceptance or use by the department of an amendment to a cost report shall in no way be construed as a release of applicable civil or criminal liability.

[Statutory Authority: RCW 74.46.800, 86-10-055 (Order 2372), § 388-96-122, filed 5/7/86, effective 7/1/86; 84-12-039 (Order 2105), § 388-96-122, filed 5/30/84. Statutory Authority: RCW 74.09.120, 82-11-065 (Order 1808), § 388-96-122, filed 5/14/82; 79-03-021 (Order 1370), § 388-96-122, filed 2/21/79; Order 1262, § 388-96-122, filed 12/30/77.]

WAC 388-96-128 Requirements for retention of records by the contractor. All records supporting the required reports shall be retained for a period of four years subsequent to filing at a location in the state of Washington specified by the contractor. If at the end of four years there are unresolved audit questions, the records shall be retained until these questions are resolved. All such data shall be made available upon demand to authorized representatives of the department and of the United States Department of Health and Human Services. When a contract is terminated, final settlement will not be made and all payments due will be withheld until accessibility to and preservation of the records within the state of Washington are assured.

[Statutory Authority: RCW 74.09.120, 74.46.840 and 74.46.800, 85-17-052 (Order 2270), § 388-96-128, filed 8/19/85. Statutory Authority: RCW 74.09.120, 83-19-047 (Order 2025), § 388-96-128, filed 9/16/83; Order 1262, § 388-96-128, filed 12/30/77.]